Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Local Exchange Carrier Line Information Database	)	CC Docket No. 92-24
	)	

DIRECT CASE
OF
U S WEST COMMUNICATIONS, INC.

U S WEST COMMUNICATIONS, INC.

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SUMMARY

In this Direct Case, U S WEST Communications, Inc. ("USWC") responds to the issues designated for investigation by the Common Carrier Bureau ("Bureau") concerning the provision of Common Channel Signaling ("CCS") interconnection and Line Information Data Base ("LIDB") service by local exchange carriers ("LEC"). Specifically, the Bureau seeks information regarding the adequacy of service descriptions and the level of technical detail provided in the LECs' tariffs. The Bureau also requests information it intends to use to determine the reasonableness of the LECs' rates for CCS interconnection and LIDB service.

In response, USWC shows that it has provided sufficient information in its description of LIDB service, including the frequency, nature and priority of data base updates and LEC liability for fraudulent calling and erroneous information in the data base. Likewise, in the tariff and in referenced publications, USWC has provided adequate detail concerning the technical parameters of LIDB service. With respect to its offering of CCS interconnection, USWC again explains that prospective customers are provided sufficient technical detail, in the tariff and reference publications, regarding the CCS interconnection link.

USWC also provides the requested information concerning the development of its CCS interconnection and LIDB service rates. As its Direct Case demonstrates, USWC's CCS interconnection and LIDB service rates were developed in accordance with the Commission's LEC price cap rules for new services and are

reasonable.

For these reasons, the instant investigation is unwarranted with respect to USWC's provision of CCS interconnection and LIDB service. Accordingly, USWC urges the Bureau to find that USWC's terms and conditions for these services are lawful.

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U S WEST Communications, Inc. ("USWC"), through counsel and pursuant to the Common Carrier Bureau's ("Bureau") *Designation Order* in this proceeding,[1] hereby files its Direct Case regarding its provision of Line Information Data Base ("LIDB") service.

I. INTRODUCTION AND BACKGROUND

The issues designated for investigation in this matter have their origin in the Bureau's review of petitions for waiver of Part 69 of the Federal Communications Commission's ("Commission") rules, filed by Southwestern Bell Telephone Company ("Southwestern Bell") to establish new access charge rate subelements for Common Channel Signaling ("CCS") interconnection and CCS access to Southwestern Bell calling

[1] See Local Exchange Carrier Line Information Database, CC Docket No. 92-24, Order Designating Issues for Investigation, DA 92-347, rel. Mar. 20, 1992 ("*Designation Order*").

card data maintained in its LIDB.[2] In its partial grant and partial denial of the waivers, the Bureau permitted Southwestern Bell to recover the costs of LIDB through two new, separate recurring charges.[3] The Bureau also allowed Southwestern Bell to recover the costs of CCS interconnection through two new, flat-rated Switched Transport subelements.[4]

To expedite its provision of CCS interconnection and LIDB service, USWC, like other local exchange carriers ("LEC"), submitted petitions for waiver[5] and proposed access tariff revisions[6] patterned on the Bureau's determinations in the *Southwestern Bell LIDB Order.* The USWC petitions, and those of the other LECs, were granted by the Bureau in the *LEC LIDB Order.*[7] The Bureau also suspended the

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[2]See Southwestern Bell Telephone Company, Petitions for Waiver of Part 69 of the Commission's Rules, 6 FCC Rcd. 6095 (1991) ("*Southwestern Bell LIDB Order*").

[3]See id. at 6097-98 ¶¶ 18-21.

[4]See id. at 6099 ¶¶ 29-30. The Bureau also granted Southwestern Bell an interim waiver of the Commission's Order in the *Transport Rate Structure and Pricing Rulemaking* [MTS and WATS Market Structure, Transport Rate Structure and Pricing, CC Docket Nos. 78-72, Phase I, and 91-213, Order and Further Notice of Proposed Rulemaking, 6 FCC Rcd. 5341 (1991)] to allow the new transport subelements to be flat-rated. See *Southwestern Bell LIDB Order*, 6 FCC Rcd. at 6099-6100 ¶¶ 31-33.

[5]See USWC Petition for Waiver of Part 69 of the Commission's Rules to Provide LIDB, filed Oct. 25, 1991. See also USWC Amendment of Petition for Waiver of Part 69 of the Commission's Rules to Provide LIDB, filed Nov. 12, 1991.

[6]USWC's tariff proposals for LIDB service and CCS interconnection (which USWC calls "CCS Access Capability" or "CCSAC") were made in USWC Tariff F.C.C. No. 1, Transmittal No. 203, filed Oct. 25, 1991 ("Transmittal 203"), and Transmittal No. 219, filed Dec. 16, 1991 ("Transmittal 219").

[7]See Local Exchange Carrier Line Information Database, 7 FCC Rcd. 525 (1991) ("*LEC LIDB Order*").

LECs' related LIDB and CCS interconnection tariffs for one day, imposed an accounting order and initiated the instant investigation.[8] Because the Bureau has already determined that LECs may recover their reasonable costs of providing LIDB and CCS interconnection and decided the rate structure issues related to these services,[9] this investigation is limited to issues regarding the specificity of the LECs' CCS interconnection and LIDB service tariff provisions and the tariffed rates for the services.

II. DISCUSSION

As this discussion will establish, USWC's tariff provisions governing LIDB service and CCSAC are sufficiently specific. USWC also shows that it followed the Commission's rules in developing its CCSAC and LIDB service rates, and that those rates are lawful.

A. USWC Has Described LIDB Service in Sufficient Detail

In the preceding tariff review proceeding, petitioners alleged that the LECs' LIDB tariff provisions lacked sufficient detail to enable potential customers to be certain of what services they would receive. USWC has already refuted these

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[8]See id. at 531-32 ¶¶ 54-60.

[9]The Bureau's rate structure determinations are subject to related ongoing Commission proceedings. See id. at 525 ¶ 5.

allegations.[10] However, in response to the *Designation Order*,[11] USWC will recapitulate that refutation.

1. USWC Has Provided Sufficient Information Regarding the Frequency, Nature and Priority of Data Base Updates and LEC Liability for Fraudulent Calling and Erroneous Information in the Data Base

In response to allegations made by MCI Telecommunications Corporation ("MCI"),[12] USWC explained that its LIDB data are updated no less often than on a daily basis or more frequently on an as-needed basis to reflect recent service order activity.[13] USWC utilizes the Database Administration System ("DBAS") to update and administer LIDB. Updates to LIDB include, but are not limited, to changes associated with calling card service, Alternate Billing Services ("ABS"), and class of service. These batch updates are transmitted to the LIDB at the end of each processing day. Priority requests from the business office and end user customers (e.g., lost or stolen card notifications, calling card personal identification number ("PIN") changes, ABS updates, notification of new cards activated) are transmitted to the LIDB on a real-time, on-line basis.

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[10]See Reply to Petitions for Rejection or Alternatively for Suspension and Investigation, filed Nov. 22, 1991 ("Transmittal 203 Reply") and USWC Reply to Petition to Suspend and Investigate, filed Dec. 30, 1991 ("Transmittal 219 Reply").

[11]See *Designation Order* at ¶ 2.I.

[12]See MCI Petition to Reject or, in the Alternative, Suspend and Investigate USWC Transmittal No. 203, filed Nov. 12, 1991 ("MCI Petition on Transmittal 203").

[13]See Transmittal 203 Reply at 17.

Notwithstanding the foregoing procedures, USWC also pointed out that the accuracy of its LIDB data is maintained at a level deemed appropriate by USWC for the acceptance or rejection of its own intraLATA calling card calls.[14] USWC also stated that:

> USWC does not warrant that LIDB validation will ensure the collection of the IXC's interexchange or international toll rates, just as validation does not guarantee collection of USWC's intraLATA rates.[53] In practical terms, USWC's return of a positive response to a LIDB query signifies simply that USWC would process the call if it were an intraLATA call. MCI makes the final decision, based upon its own business judgment, to accept or refuse calls for completion over its network.
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> ---
>
> [53] When a carrier requests validation, it receives one of three possible responses with respect to the calling card account number being used: "positive" (an account with the calling card number being used is present in the data base), "negative" (no record of such an account is present in the data base), and "indeterminate" (the query can not be processed or account records are incomplete). The validation response contains no judgement [sic] as to a calling card customer's intent to pay.[15]

Regarding Transmittal 203, MCI also claimed that USWC should compensate MCI for "calls completed based on reliance on the integrity of LEC validation data."[16] It bears noting that this plea was based on MCI's suspicion,

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[14] Id. at 17.

[15] Id. at 17-18.

[16] MCI Petition on Transmittal 203 at 9-10.

mistaken with respect to USWC, that the American Telephone and Telegraph Company ("AT&T") receives such compensation which MCI does not. In addressing this baseless claim, USWC noted that "MCI would like to impose its own concerns with calling card fraud and, presumably, more painstaking fraud prevention standards and their associated costs upon USWC's LIDB offering."[17] USWC explained that:

> As stated, USWC has developed its LIDB, and related policies and procedures (including thresholds for PIN attempts and velocity checks of card use), to meet its business needs with respect to local and intraLATA calling card calls. The purchase and/or guarantee of an interexchange or international toll company's receivables for fraud are not an inherent term or condition of the existing LIDB product. This is again an attempt by MCI to take calling card validation, i.e., the sale of certain business information by USWC regarding its customers, and impose additional terms and conditions and thereby make it a guarantee of MCI's accounts receivable.
>
> As the Commission is well aware, fraud does occur on the network. It impacts all IXCs as well as all LECs. However, it is not the calling card issuer [or provider of LIDB service] who bears the risk of loss, but rather the company that retains the toll revenues on all completed calls. Unlike commercial credit cards, LIDB is not a product wherein the LEC proposes to buy all of MCI's receivables for calling cards and incur all loss for fraud. Indeed, USWC is not seeking, nor would they presumably be given any right to make determinations of when we would or would not permit an MCI call to be completed, e.g., international calls. Nor are we assuming any risks associated within MCI's toll business if, after MCI makes such a business determination, certain fraud is incurred on their

[17]Transmittal 203 Reply at 18.

network.[18]

USWC continues to believe that to require more of LECs with respect to liability would be unreasonable and would increase the underlying cost assumptions (and resulting rates) for LIDB service.

Concerning MCI's wish to be compensated for the unavailability of validation service, due to some system failure, USWC clearly stated that:

> In the event of a LIDB outage, IXCs would be covered by Section 2.1.3(a) of USWC's Tariff F.C.C. No. 1.[54]

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[54] USWC Tariff F.C.C. No. 1, Section 2.1.3(a) states as follows: The Telephone Company's liability, if any, for its willful misconduct is not limited by this tariff. With respect to any other claim or suit by a customer or by others, for damages associated with the installation, provisioning, preemption, termination, maintenance, repair or restoration of service, the telephone company's liability shall not exceed an amount equal to the proportionate charge for the service for the period during which the service was affected.[19]

Given the detail provided in its tariff provisions and its reply to petitions against those provisions, USWC believes it has provided sufficient information to enable potential LIDB customers to be certain of the nature and limitations of the service they are purchasing. No additional information or compensation requirements should be

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[18] Id. at 19.

[19] Id. at 18.

imposed by the Bureau.

2. USWC Has Provided Sufficient Detail Concerning the Technical Parameters of LIDB Service

The Bureau appears not to question the propriety of references in the tariff to technical publications containing more detailed technical information related to LIDB service. In fact, the Bureau granted USWC special permission to reference such technical publications in Transmittal 203.[20] These documents, in combination with Transmittal 203, provide significant and, USWC believes, sufficient technical detail concerning LIDB.[21] USWC's LIDB performance criteria are contained in Bellcore TR

[20]Pursuant to Special Permission No. 91-892, dated October 21, 1991, granting USWC Application No. 71, permitting USWC to reference in its Tariff F.C.C. No. 1 the following publications: Bell Communications Research, Inc. ("Bellcore") Common Channel Signaling (CCS) Network Interface Specification, Technical Reference TSV-000905 ("TR 905"); Common Channel Signaling (CCS) Network Interface Specification Supporting Alternate Billing Service, Bellcore Technical Reference TSV-000954 ("TR 954") and USWC Common Channel Signaling (CCS) Network Interface Specification (Addendum to TR-TSV-000905 and TR-TSV-000954), Technical PUB 77342 ("PUB 77342").

[21]Technical publications contain operational policies and practices associated with providing a service. These policies and practices may change over time with the evolution of technology. Such change is more efficiently accommodated by amending technical publications, rather than tariff provisions. Given the fact that services may be provided using a variety of technologies, it makes no sense to include operational practices and policies in tariffs. Nor is there any legal basis for such a requirement, particularly where the tariff provides sufficient technical information to permit an informed decision by the customer and clearly refers to more detailed information in the relevant technical publication. To instead require the bulk of such technical detail to be placed in the tariff would unnecessarily enlarge carrier tariffs and would not be consistent with recent practice with respect to switched access tariff filings.

954, as supplemented by USWC's PUB 77342, which addresses conditions in which USWC differs or where USWC believes more information is appropriate.[22] USWC also explained away MCI's uninformed allegations of discriminatory "call gapping" procedures, stating:

> In the event of an overload within LIDB, there is no prioritization of calls by jurisdiction (e.g., local, intraLATA, interexchange, international) or by carrier. All calls and all carriers, LECs and IXCs[] alike, are treated indiscriminately. USWC's nondiscriminatory policy regarding network management controls are set forth in USWC Tariff F.C.C. No. 1, Section 6.5.1 (Network Management). The detailed procedures related to such controls are found in PUB 77342.[23]

The real subject of the Bureau's concern with respect to tariff references to technical publications is whether "the dates of the latest revisions to any referenced technical publication should be reflected in the tariff[.]"[24] USWC believed such dates should not be required to be reflected in the tariff.

As noted, detailed operational policies and practices, traditionally set forth in technical publications rather than in the tariff itself, may change as technology evolves.[25] Changes to those policies and practices can be efficiently accommodated by

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[22]In its Transmittal 203 Reply at 15 and n.46, USWC stated that PUB 77342 supplements TR 905, which might lead one to infer that TR 905 contains the more general LIDB performance criteria which is not specific to USWC. Although PUB 77342, in fact, does supplement TR 905's discussion of the technical specifications for the *access link* to LIDB, it is TR 954 which contains the more detailed technical data related to the processing of validation and billed number screening.

[23]Transmittal 203 Reply at 20.

[24]*Designation Order* at ¶ 2.I.

[25]See n. 21 supra. See also Transmittal 203 Reply at 15-16.

amending the technical publication. If such policies and practices were required to be placed in the tariff, even the smallest changes would take much longer to implement.

Moreover, USWC does not unilaterally adopt technical publications. USWC works closely with its customers and the industry to meet customer needs and minimize service disruption. Specifically, with respect to LIDB performance criteria, USWC's initial draft of PUB 77342 was shared with all IXCs in July 1991 with a request for their input by August 30, 1991.[26] PUB 77342 was issued in December 1991. A second issue of PUB 77342, which will also accommodate customer and industry concerns, will be issued in late April 1992. USWC believes such industry processes are a more efficient and economical means of amending operational policies and practices. USWC therefore urges the Bureau not to require that such information be placed in LEC tariffs. In addition, because the evolution of technical publications involves the input and participation of the industry, USWC urges the Bureau to find that the date of each revision of LIDB technical publications need not be reflected in LEC tariffs.

B. USWC's Tariff Provisions Provide Sufficient Technical Information Regarding the CCS Interconnection Link

The Bureau seeks comment on whether tariffs for the 56 kbps Signaling Transfer Point ("STP") Link component of CCS interconnection should contain technical detail of a level similar to that provided in LEC special access tariffs for 56 kbps special access lines. As provided in USWC Tariff F.C.C. No. 1, Section 20.2.1.B:

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[26]See Transmittal 203 Reply at 15-16.

> The STP Link is the digital signaling transmission channel which rides the STP Access Connection and interconnects to the STP PORT. The signaling data is in the DSOA format (i.e., 56 kbps of CCS7 signaling data and 8 kbps of control/supervisory data).

USWC does not cross reference or imply in its tariff that its CCSAC 56 kbps DSOA signaling channel (STP Access Connection Option B) is technically equivalent to a standard 56 kbps line in the special access section of its tariff. If that were the case, Section 20.2.1.B would simply refer the reader to the appropriate provisions within the special access section of USWC Tariff F.C.C. No. 1. The CCSAC 56 kbps channel must be provisioned on a 1.544 Mbps facility, which is not the case for all 56 kbps channels used in digital data service ("DDS"). For that reason, Section 20.2.1. refers the tariff reader to USWC PUB 77342 to clarify the specific technical parameters of the CCSAC 56 kbps DSOA signaling channel. USWC believes the tariff provides adequate detail to enable the customer to make the decision whether or not to purchase this service.

USWC's special access tariff provisions do not provide more detail with respect to 56 kbps links in the DSOA format than is provided in Section 20.2.1.[27] Thus, there is no basis for requiring USWC to augment the level of technical detail in

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[27]In fact, like Section 20.2.1, Section 7 (Private Line Transport Service) refers to technical publications for the detailed technical information concerning 56 kbps channels in the DSOA format. See, e.g., USWC Tariff F.C.C. No. 1, Section 7.2.10 (D)(2)(b) and (c). Section 7 contains the Channel Interface ("CI") and Network Channel ("NC") codes for the special access. The specific switched access CI and NC codes for CCSAC are delineated in PUB 77342, Section 6.04, at page 6-13.

its CCSAC tariff. Likewise, as with the technical parameters for LIDB, discussed above,[28] USWC believes that the more technical data for CCSAC are best accommodated in separate technical documents developed and amended through industry participation. Under this approach, customers wishing to inspect these technical documents have ready access to them, while the more typical tariff reader is spared the unnecessary detail.

C. USWC's CCSAC and LIDB Rate Levels Were Developed in Accordance with the Commission's Rules and Are Reasonable

USWC developed its LIDB and CCSAC rates in accordance with the Commission's *Part 69/ONA Order*, which requires the submission of direct costs including supporting information and a net revenue showing for services classified as "new" under price cap regulations.[29] As required by the *Part 69/ONA Order*, USWC also described the methodology used to load overhead costs and displayed the resulting ratios of direct cost to unit investment.[30]

Notwithstanding the information USWC has already provided, the

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[28]See pp. 8-10 supra.

[29]See Transmittal 203, Description and Justification ("D&J"), at Sections 2 and 3. See also Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, Policy and Rules Concerning Rates for Dominant Carriers, 6 FCC Rcd. 4524, 4531 ¶ 42 (1991) ("*Part 69/ONA Order*").

[30]See Transmittal 203 at Section 1, Revised Workpaper 1. Revised Workpaper 1 was submitted attached to a letter to John Cimko, Chief, Tariff Division, FCC, from Janis Stahlhut, Manager-Federal Relations, U S WEST, Inc., dated Nov. 27, 1991.

Designation Order requires the subject LECs to provide certain information to aid its resolution of rate level issues with respect to CCS interconnection and LIDB service.[31] The data requests are addressed below in the order in which they occur in the *Designation Order*.[32]

1. USWC Did Not Use the CCSCIS Cost Model to Develop Its Rates

Noting that Bellcore has developed a cost model called "Common Channel Signalling Cost Information System" (or "CCSCIS"), the Bureau ordered any LEC subject to this investigation that relied on that cost model to explain why it is appropriate for services which use CCS.[33] As explained in the following section, USWC did not employ the CCSCIS cost model to develop its CCSAC or LIDB rates and, thus, it need not respond to this information request.

2. USWC's Signaling System 7 Cost Model

USWC identified the plant used to provide LIDB service by analyzing switch vendor engineering documentation for the AT&T 5ESS and the Northern Telecom DMS100/200 toll operator switches and the Ericsson AXE local STP and regional STP used in USWC's CCS network. Digital Equipment Corporation

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[31] See *Designation Order* at ¶ 2.II.

[32] USWC does not respond to the Bureau's fifth information request, as that request does not concern USWC's CCSAC.

[33] *Designation Order* at ¶ 2.III.(1).

equipment descriptions and Bellcore's Signaling Control Point ("SCP") Sizing Program outputs were evaluated to determine LIDB plant requirements for the SCP portion of the CCS network. The LIDB plant identification process also included consideration of Bellcore technical references (TR 905 and TR 954), as well as USWC engineering guidelines on deployment for survivability and reliability.

The data resulting from these analyses were then input into USWC's cost model for Signaling System No. 7,[34] a personal computer-based engineering cost model developed by the U S WEST Communications Cost Organization.[35] The SS7 Model uses the Long Run Incremental Cost ("LRIC") principle to develop unit investment costs for the SS7 network component equipment and software used by various services and features. The following SS7 network components are included in the SS7 Model:

- End Office Service Switching Point ("SSP")
- Access Tandem/Operator Switch SSP.
- SSP to Local Switching Transfer Point ("STP") Data Link
- Local STP
- Local STP to Regional STP Data Link
- Regional STP
- Regional STP to Service Control Point ("SCP") Data Link
- Service Control Point for 800 Service Queries

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[34]Signaling System No. 7 ("SS7") is the ANSI-specified signaling protocol used in connection with USWC's CCS network. The terms CCS and SS7 are sometimes used interchangeably.

[35]The SS7 Cost Model is USWC's own switching cost model. However, it is separate and distinct from USWC's Switching Cost Model ("SCM") used to support Basic Service Element ("BSE") cost development in the Open Network Architecture ("ONA") tariff proceeding in DA 91-1169. See Commission Requirements for Cost Support Material To Be Filed with Open Network Architecture Access Tariffs, 6 FCC Rcd. 5682 (1991).

- Service Control Point for LIDB and Calling Name Delivery ("CNAM") Service Queries

The long run economic costs were arrived at after first identifying all appropriate equipment and software required to support SS7 functions based on USWC, Bellcore and vendor engineering rules and USWC SS7 deployment plans. Equipment capacities were determined and demand estimated to calculate three types of cost outputs from the SS7 Model: Volume Sensitive, Joint Fixed and Average Unit Costs.

The Volume Sensitive Unit Cost is the capacity cost of any hardware investment or software cost that is exhaustible. Investment in only that spare capacity that is unavailable for use by customer demand is included in this Volume Sensitive Unit Cost. This cost is the price floor.

The Joint Fixed Cost is the total cost that is not exhaustible. This is primarily comprised of software costs that were incurred initially to deploy SS7 and will never again be incurred. Although some spare capacity may be considered Joint Fixed, no investment in spare capacity is included in the Joint Fixed Cost.

The Average Unit Cost consists of all hardware investments and software costs that are incurred with anticipated demand. All Joint Fixed Costs and all spare capacity associated with the exhaustible components are included in the Average Unit Cost.

The Volume Sensitive Cost was developed by dividing the SS7 component investments by the available capacity for all services using that SS7 component. The

Average Unit Cost was developed by dividing the SS7 component investments by the average long run demand of all the services using that SS7 component.

These methods were employed in the SS7 Model for all of the SS7 network components except the Service Control Point. The identification of investments specifically for an SCP configured only for 800 Service queries modeled the actual engineering and long run serving arrangement plan of the USWC SS7 network. The Volume Sensitive and Average Unit Costs were output per 800 Service query.

In a like manner, the LIDB and CNAM long run serving arrangement plan called for the combination of LIDB and CNAM demand to be served by the same SCP. This arrangement is the most efficient way to engineer and utilize the SCP capacity to support these services. The Volume Sensitive and Average Unit Costs were output per LIDB/CNAM query.

The SS7 Model costs provide the basis for USWC product management and cost analysts to develop costs for pricing services that use the SS7 network. The SS7 Model incorporates the application of LRIC principles and consideration of the anticipated long run demand.

3. USWC'S CCSAC and LIDB Investment

In the D&J associated with Transmittal 203, USWC provided detailed cost information for LIDB and CCSAC, including total unit investment for the four recurring

rate subelements created pursuant to the *LEC LIDB Order*.[36] In the D&J accompanying Transmittal 219, USWC provided similar cost data underlying the amended STP Access rate structure which provides two levels of interconnection to USWC's CCS network: Option A, a DS1 (1.544 Mbps) connection, and Option B, a DSOA (56 kbps) connection.[37]

The total unit investment associated with each of the four rate subelements, as identified in Transmittals 203 and 219, are recorded in the following accounts established under Part 32 of the Commission's rules as set forth in Attachment I hereto.

4. USWC's Overhead Loading Factors

USWC's recurring overhead loading factor (fully distributed cost factor) is calculated by dividing revenue requirements by direct costs. This factor is calculated at the Part 69 category level to include Interexchange, Special Access, Local Transport, Local Switching and Directory Assistance. It can then be aggregated into the Interexchange, Special Access and Traffic Sensitive basket levels. The factor varies by Part 69 category and by basket, reflecting the different revenue requirement and direct

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[36]See Transmittal 203, D&J, Section 1, Revised Workpaper 1; Sections 2, Workpaper 1, pp. 1-6 and Workpaper 2, pp. 1-4.

[37]See Transmittal 219, D&J, Section 1, Workpaper 1; Section 2, Workpaper 1, pp. 1-10.

cost data for each.[38]

The numerator in the factor is the revenue requirement. This figure is calculated from 1990 expense/other tax, investment (rate base), and Federal Income Tax ("FIT") adjustments. This data is used to calculate the revenue requirement by Part 69 category, reflecting an 11.25% rate of return. The source for this information is the 1990 data included in the final 1989-1990 FCC Form 492 which was filed with the Commission on September 30, 1991.

The 1990 ARMIS 43-01 report was not restated to include adjustments occurring between April 1 and September 30, 1991. Had this report been so restated, the equivalent ARMIS lines used to develop the revenue requirements would be as follows:

Expense/Other Tax	Lines 1190 + 1390 + 1490
Average Net Investment	Line 1910
FIT Adjustments	Line 1510 - 1520 - 1530
Amortized Investment Tax Credit ("ITC")	Line 1540

The following figures were used to derive the numerator of the LIDB overhead loading factor:

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[38]After establishing the price, the ratio of price to direct cost was developed and compared to the ratio of total Part 69 expenses to total direct cost for the service category. This comparison (shown at Transmittal 203, D&J, Section 1, Revised Workpaper 1), demonstrates that neither CCSAC or LIDB service bear a greater proportion of overhead loadings than the service category as a whole.

Expense/Other Tax	$ 746,433,538
Return on Average Net Investment ("ROI")	175,290,768[39]
FIT Gross Up on ROI	90,301,304
Tax Effect of FIT Adjustment	(18,526,178)
Tax Effect of the ITC Adjustment	(26,614,530)
Total Traffic Sensitive Revenue Requirement	$ 966,884,902

The denominator in the factor is the sum of the 1991 direct unit costs for each rate subelement within the Traffic Sensitive basket multiplied by the 1990 demand for each rate subelement. The demand coincides with the 1991 Annual Access Tariff filing support documentation submitted under USWC, Tariff F.C.C. No. 1, Transmittal No. 155, filed April. 2, 1991, as modified in Transmittal No. 181, filed on August 15, 1991.[40]

This sum of demand times unit cost for all rate elements represents the denominator in the overhead loading factor.

The overhead loading factor for USWC's LIDB rate subelements was calculated as follows:

A =	Price Cap Basket	Local Traffic Sensitive
B =	Total 1990 Expense	$ 966,884,902
C =	Total Direct Costs	$ 218,861,893
D =	Factor (B/C)	4.4178, rounded to 4.42

[39]This represents an 11.25% rate of return on $1,588,140,156 in Average Net Investment.

[40]See also USWC Transmittal No. 206, filed November 1, 1991, D&J, Section 3.

The same process was used to calculate the overhead loading factor applied to the new CCSAC rate subelements. The numerator was calculated as follows:

Expense/Other Tax	$ 444,219,540
Return on Average Net Investment	114,551,239[41]
Gross Up on FIT	59,011,245
Tax Effect of FIT Adjustment	(12,098,527)
Tax Effect on ITC Adjustment	(17,198,717)
Total Local Transport Revenue Requirement	$ 588,484,780

The overhead loading factor for USWC's CCSAC rate subelements was calculated as follows:

A =	Price Cap Basket	Local Transport
B =	Total 1990 Expense	$ 588,484,780
C =	Total Direct Costs	55,845,023
D =	Factor (B/C)	10.5378, rounded to 10.54

III. CONCLUSION

As the foregoing discussion shows, USWC has provided sufficient information regarding its CCSAC and LIDB service offerings to permit the prospective customer to make an informed choice. In addition, as demonstrated above, USWC has developed its rates for CCSAC and LIDB service in accordance with the Commission's

[41]This represents an 11.25% rate of return on $1,108,233,239 Average Net Investment.

LEC price cap rules for new services. Thus, the Bureau should find that USWC's CCSAC and LIDB service descriptions and terms and conditions are lawful.

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